

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name St. Clair County Road Commission		County St. Clair County	
Fiscal Year End December 31, 2007		Opinion Date April 9, 2008		Date Audit Report Submitted to State May 27, 2008			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

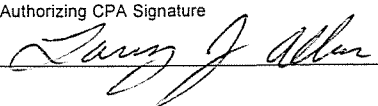
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe) Internal Control		<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple P.C.			Telephone Number (810) 984-3829	
Street Address 1979 Holland Avenue			City Port Huron	State MI
			Zip 48060	
Authorizing CPA Signature 		Printed Name Larry J. Allen		License Number 1101008117

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan
FOR THE YEAR ENDED DECEMBER 31, 2007**

Issued By

**Kirk D. Weston,
Managing Director**

**Greg A. Owens,
Director of Internal Services**

**Stewart,
Beauvais
& Whipple P.C.**

CERTIFIED PUBLIC ACCOUNTANTS



ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

DECEMBER 31, 2007

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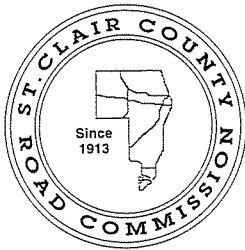
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SECTION ONE: INTRODUCTORY SECTION



COUNTY OF ST. CLAIR

ROAD COMMISSION • PUBLIC WORKS

21 Airport Drive • St. Clair, Michigan 48079-1404

Phone: (810) 364-5720 • Fax: (810) 364-9050

E-Mail: sccrc@mich.com • Website: <http://www.sccrc-roads.org>

COMMISSIONERS: William L. Blumerich, Kenneth C. Foerster, Timothy J. LaLonde

April 9, 2008

To the Board of County Road
Commissioners and Citizens of
St. Clair County

The comprehensive annual financial report of the St. Clair County Road Commission, a component unit of the County of St. Clair, Michigan for the year ended December 31, 2007 is hereby submitted as mandated by state statutes. These ordinances and statutes require that the St. Clair County Road Commission issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the St. Clair County Road Commission. All disclosures necessary to enable the reader to gain an understanding of the St. Clair County Road Commission's activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the St. Clair County Road Commission's principal and appointed officials. The financial section includes the basic financial statements and schedules, as well as the independent auditor's reports on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Generally accepted auditing principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Road Commission's MD&A can be found immediately following the report of the independent auditors.

The financial reporting entity (the Road Commission as legally defined) is a component of St. Clair County, Michigan. Component units are legally separate entities for which the primary government is financially accountable.

Profile of the Road Commission

The St. Clair County Road Commission was created by St. Clair County in accordance with Michigan statutes. Its primary purpose is to account for Michigan Transportation Fund revenues distributed to St. Clair County, and all other revenues provided for the construction and maintenance of primary and local roads within St. Clair County (exclusive of those located within Cities and Villages).

The St. Clair County Board of Commissioners appoints a three member Board of County Road Commissioners to oversee the operations of the Road Commission. The members are appointed to six-year terms, staggered so that one term expires every two years. The Board of County Road Commissioners is responsible for adopting a budget, appointing a chief executive officer and establishing policies it deems necessary to fulfill its obligations.

The County of St. Clair, organized as a County in 1837, consists of 700 square miles with approximately 164,000 residents and is located in the lower eastern central portion of Michigan's lower peninsula. The County Seat, the City of Port Huron, is located about sixty miles north of Detroit, Michigan. The County currently is affected by the unfavorable economic environment after having experienced a strong local economy for the past three years. The County's manufacturing and industrial base are primarily automotive related. Economic diversification has been accomplished, however, as the three largest employers are the school district, a utility and a health care facility. The County's unemployment rate has been near the State level for the past three years. The employed work force totals well over 75,000 and continues to grow.

Major Initiatives

...Dedicated to providing effective, efficient, and responsive services within available financial resources ...

As our county continues to experience the opportunities and challenges of growth and development, our mission statement requires added dimension and resolve. Our accomplishments are made possible by our greatest resource, our officials and employees who provide dedication and diligence in the execution of our statutory duties. As we begin our 96th year of service to our traveling public, our focus has shifted from expansion to attempting to meet increasing motorist needs.

As we continue to meet growing motorist needs, new approaches to conducting business will need to be pursued. Increasing wage and benefit levels, external product price increases, and local revenue curtailments are outpacing transportation fund growth.

Factors Affecting Financial Condition

The majority of resources provided to the commission are generated locally and redistributed by the State of Michigan through the Michigan Transportation Fund (MTF). This fund is comprised of revenues from the state 19¢ per gallon gas tax, 15¢ per gallon diesel tax, vehicle registrations and driver license fees, and carrier taxes. Following a series of intergovernmental grant deductions approximating 13% of collections, the Commission receives its statutory share of the fund equaling 1.67%¹ of the county share of funds.

The Commission also maintains close working partnerships with the 23 township boards in the county. A variety of matching programs designed to raise the level of local road system provide for improvement and routine maintenance efforts. One source of these matching funds is state distributed revenue sharing. While the decrease of revenue sharing back to local units of government was somewhat limited this year, continued long term financial stress at the state level could result in ultimate reductions in resource allocation to an increasingly important local road system.

Financial Information

Management of the Road Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Road Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

¹Per MDOT REPORT NO. 139, June 17, 2003

As a recipient of federal, state and local financial assistance, the Road Commission is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition, the Road Commission maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Road Commission's Board. Activities of the operating fund are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the activity level.

Cash Management Policies and Practices

The St. Clair County Treasurer provides investment services for the Road Commission. Cash temporarily idle during the year was invested in investment pools offered by commercial banks.

Risk Management

The Road Commission continues to be a leader in this area participating in State pools for property, liability and workers' compensation insurance. As part of this comprehensive plan, resources are being accumulated to meet potential losses. In addition, various control techniques, including employee accident prevention training, have been implemented during the prior years to minimize accident-related losses. Third-party coverage is also maintained for claims in excess of set amounts and all other potential losses.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The Road Commission selected the firm Stewart, Beauvais, & Whipple, PC CPAs. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Road Commission for the year ended December 31, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Road Commission's financial statements for the year ended December 31, 2007 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The auditor's report on the financial statements and schedules is included in the financial section of this report.

Awards and Acknowledgments

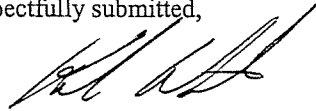
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the St. Clair County Road Commission for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2006. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the financial and administration department. We would especially like to express our appreciation to the accounting department, who assisted and contributed to the preparation of

this report. Due credit also should be given to the Board of Road Commissioners for their interest and support in planning and conducting the operations of the Road Commission in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'K. D. Weston', written in a cursive style.

Kirk D. Weston
Managing Director

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

LIST OF PRINCIPAL OFFICIALS

Board of County Road Commissions (3 members appointed to 6 year staggered terms by St. Clair County, Michigan Board of Commissioners):

<i>Chairperson</i>	<i>Timothy J. LaLonde (2008)</i>
<i>Vice Chairperson</i>	<i>William L. Blumerich (2010)</i>
<i>Member</i>	<i>Kenneth C. Foester (2012)</i>

Other principal officials (2007):

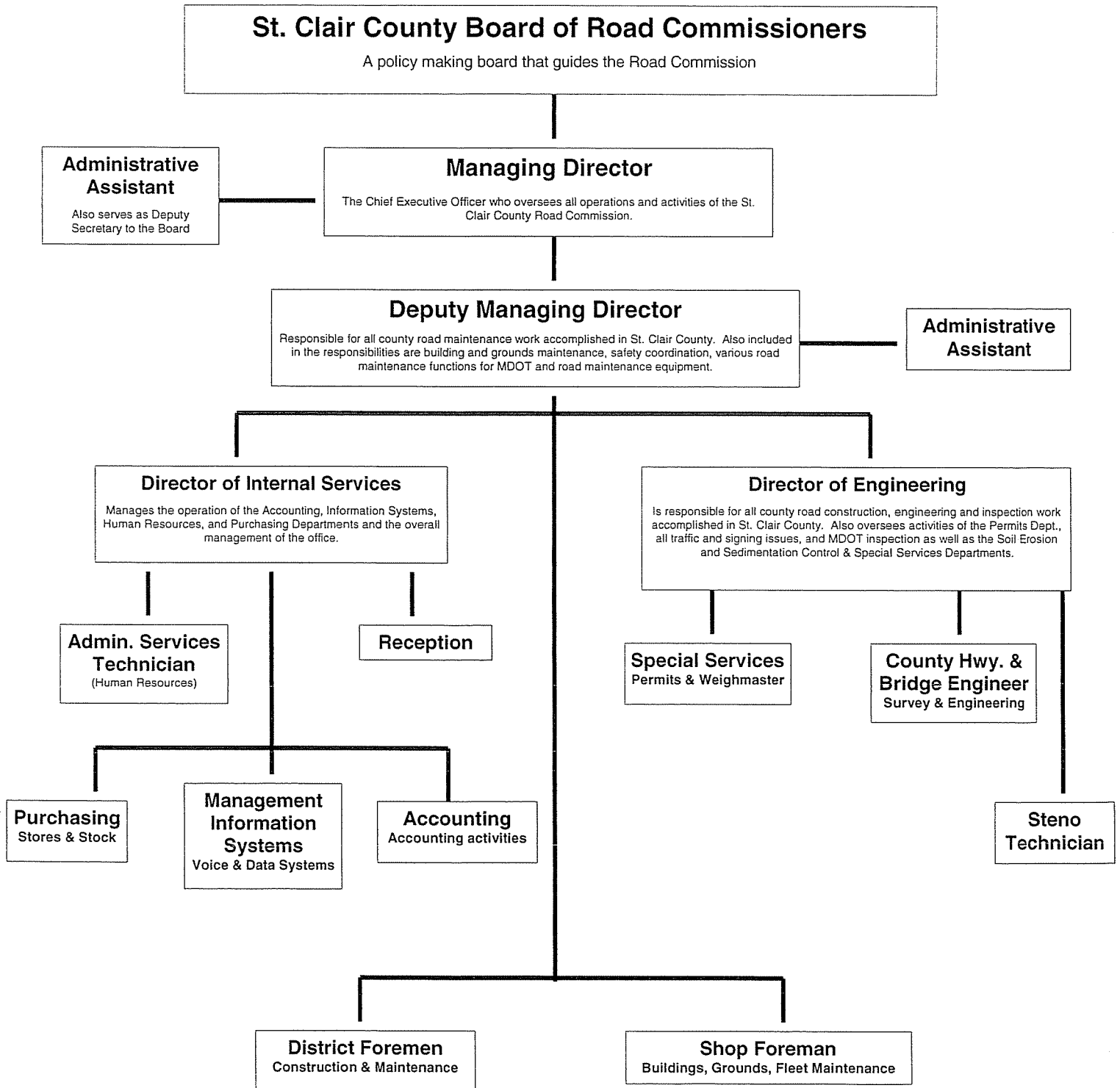
January 1, 2007– June 30, 2007

<i>Managing Director/ Secretary of the Board</i>	<i>Donald M. Maronde</i>
<i>Deputy Managing Director</i>	<i>Kirk D. Weston</i>
<i>Deputy Secretary of the Board</i>	<i>Sandra J. Clark</i>
<i>Director of Internal Services</i>	<i>Greg A. Owens</i>
<i>Director of Engineering</i>	<i>James R. Warner</i>
<i>County Highway and Bridge Engineer</i>	<i>Michael J. Clark</i>

July 1, 2007 – December 31, 2007

<i>Managing Director</i>	<i>Kirk D. Weston</i>
<i>Director of Internal Services/ Secretary of the Board</i>	<i>Greg A. Owens</i>
<i>Deputy Secretary of the Board</i>	<i>Sandra J. Clark</i>
<i>Director of Engineering</i>	<i>James R. Warner</i>
<i>County Highway and Bridge Engineer</i>	<i>Michael J. Clark</i>

St. Clair County Road Commission Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Clair County
Road Commission
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

SECTION TWO: FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners
of St. Clair County
St. Clair, Michigan

We have audited the accompanying basic financial statements of the Road Commission of St. Clair County, Michigan, a component unit of St. Clair County, Michigan, as of December 31, 2007, and for the year then ended. These financial statements are the responsibility of the Road Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Road Commission of St. Clair County, Michigan, as of December 31, 2007, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 9, 2008, on our consideration of the Road Commission of St. Clair County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3 - 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the St. Clair County Road Commission. The schedules and tables on pages 31- 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Road Commission of St. Clair County, Michigan. Such information, except for the portion marked "Unaudited" on which we express no opinion has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

April 9, 2008

ST. CLAIR COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the St. Clair County Road Commission (the "Road Commission"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Road Commission for the year ended December 31, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide a basis of understanding of the St. Clair County Road Commission's basic statements. These basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. Supplementary financial information and statistical tables are also provided for additional information purposes.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Road Commission finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Road Commission assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

Unlike the government-wide financial statements, governmental financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Road Commission's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Road Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the government-wide financial statements.

The St. Clair County Road Commission adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-27 of this report.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The net assets are separated into two major components, investment in capital assets net of debt and unrestricted net assets, which may be used to meet the ongoing obligations to citizens and creditors. The Road Commission's combined net assets increased 5.5% from a year ago.

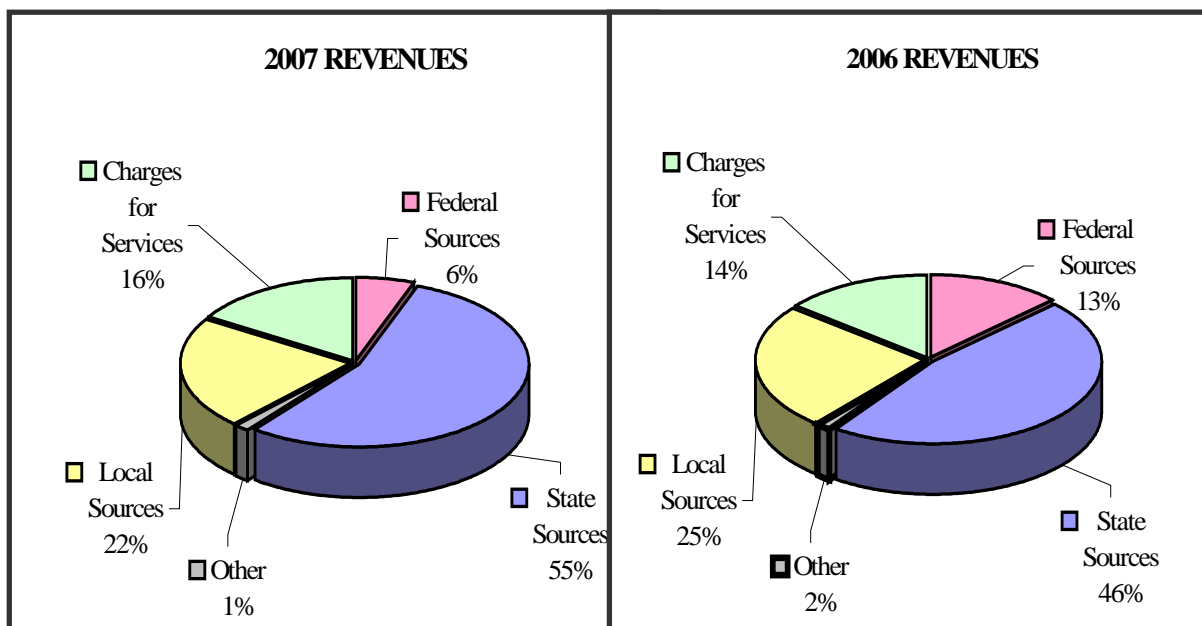
The table below shows a comparison of the net assets (in thousands of dollars) as of December 31, 2007 and 2006 in a condensed format.

	<u>2007</u>	<u>2006</u>
Current and other unrestricted assets	\$ 7,880.4	\$ 7,410.7
Capital assets	<u>118,834.3</u>	<u>113,742.1</u>
Total Assets	<u>126,714.7</u>	<u>121,152.8</u>
Long-term liabilities	(4,727.9)	(5,342.9)
Other liabilities	<u>(1,547.2)</u>	<u>(1,696.8)</u>
Total Liabilities	<u>(6,275.1)</u>	<u>(7,039.7)</u>
Net Assets		
Invested in capital assets-net of debt	114,489.3	108,757.2
Unrestricted	<u>5,950.3</u>	<u>5,355.9</u>
Total Net Assets	<u>\$ 120,439.6</u>	<u>\$ 114,113.1</u>

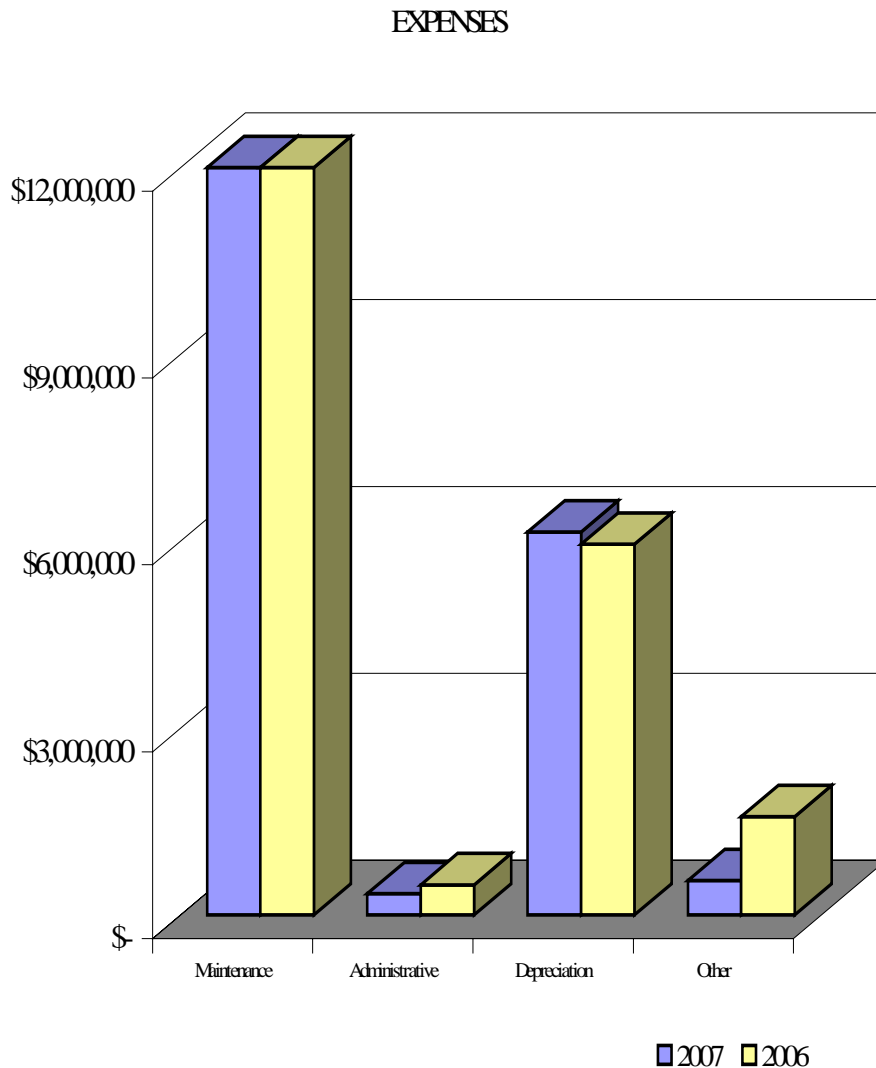
Statement of Activities

The following schedule compares the revenues and expenses (in thousands of dollars) for the current and previous fiscal years.

	2007	2006
Revenues		
Federal sources	\$ 1,486.4	\$ 3,277.3
State sources	14,421.2	11,980.7
Local sources	5,737.2	6,314.2
Charges for services	4,256.6	3,613.7
Other	389.4	392.8
Total Revenues	<u>26,290.8</u>	<u>25,578.7</u>
Expenses		
Maintenance	12,918.3	12,273.9
Administrative	340.7	483.4
Depreciation	6,150.6	5,952.6
Other	554.7	1,576.2
Total Expenses	<u>19,964.3</u>	<u>20,286.1</u>
Change in Net Assets	6,326.5	5,292.6
Net Assets - Beginning of Year	<u>114,113.1</u>	<u>108,820.5</u>
Net Assets - End of Year	<u>\$ 120,439.6</u>	<u>\$ 114,113.1</u>



As shown in the preceding table comparing 2007 and 2006 Statement of Activities amounts, total revenue increased by \$712,183 or 3%.



Total expenses remained fairly consistent between the years. An increase in both maintenance and depreciation expenses were the most significant changes between the types of expenditures.

Government Funds Financial Analysis

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Road Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Road Commission reported an ending fund balance of \$6,110,388, an increase of \$430,392 from the prior year. Approximately 98% or \$5,968,120 of the fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion; however, \$2,200,530 is designated as the local share of special projects, and \$295,800 is designated for contingencies, leaving \$3,471,790 undesignated and unreserved at the end of 2007.

BUDGETARY HIGHLIGHTS

The total difference between the original budget and the final amended budget was an increase in appropriations of approximately \$1,900,000. Detail of the original budget, amended budget, and

actual amounts may be seen on page 11 of the financial section. Some of the larger appropriation variances from original to final budget are described below:

- Local construction appropriations increased by \$1,200 thousand due to an end of the year entry to record subdivision roads accepted into the County's road system where private companies performed the work; this entry also increased the local sources revenue by the same amount.
- The primary preservation budgeted expenditures increased \$1,957 thousand from original levels due to a road improvement project added for 2007, and bridge engineering in right of way costs added for 2007; local preservation budgeted expenditures decreased \$287 thousand from original levels due to reduced township participation for road improvement projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of year end, the Road Commission had \$118,834,313 invested in capital assets (net of accumulated depreciation) as reflected in the following schedule, representing an increase of over 4% or \$5,092,205.

	<u>2007</u>	<u>2006</u>
Land	\$ 65,629	\$ 65,629
Land Improvements	235,356	235,356
Buildings & Improvements	2,021,016	2,021,822
Equipment	1,638,196	1,889,784
Depletable Assets	117,113	117,113
Infrastructure	<u>114,757,003</u>	<u>109,412,404</u>
Total	<u><u>\$ 118,834,313</u></u>	<u><u>\$ 113,742,108</u></u>

Major capital asset events during the current fiscal year included the following:

- Widen to three lanes .64 miles of Lapeer Road I-94 to 32nd
- Reconstruction of .66 miles of Gratiot
- Replacement of bridge at Division Road over Belle River
- Replacement of bridge at Wadhams Road over Pine River
- Reconstruction of .32 miles of Koehn Road
- Various equipment purchases the most significant being an excavator, and two tandem axle dump trucks

Additional information on the Road Commission's capital assets may be found in Note 8 to the financial statements.

Long-Term Liabilities – At the end of the current year, the Road Commission had total bond and note debt outstanding of \$ 4,345,000. The debt is backed by the full faith and credit of St.

Clair County. Additional information on the Road Commission's long term liabilities may be found in Note 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Road Commission will be pursuing new approaches to conducting business in the future due to increasing internal costs, external product price increases and local revenue constraints which are outpacing our declining transportation funding from the state. Long-term state fiscal crises could affect local township transportation governmental agencies ability to respond to ever-increasing public demand for routine maintenance services, limit their participation in cost sharing programs currently in effect, and may also extend to reduction or elimination of an annual county appropriation for local road services.

Our 2008 budget is programmed for across the board, reduced revenues and expenditures compared to 2007 budgeted levels. It is anticipated that our fund equity will increase by \$790,000 by the end of 2008 mainly due to reduced 2008 heavy maintenance.

CONTACTING THE ST. CLAIR COUNTY ROAD COMMISSION'S MANAGEMENT

This financial report is designed to provide a general overview of the Road Commission's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Road Commission, 21 Airport Drive, St. Clair, Michigan 48079.

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Fund	Adjustments (Note 2)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 2,053,154	\$ -	\$ 2,053,154
Due from other governmental units -			
State	2,138,281	-	2,138,281
Local	1,945,944	-	1,945,944
Due from other component units	34,762	-	34,762
Accounts receivable	19,922	-	19,922
Due from primary government	39,684	-	39,684
Prepaid items	142,268	-	142,268
Inventory	1,473,060	-	1,473,060
Deposit-health insurance	33,290	-	33,290
Capital assets, net of accumulated depreciation			
Assets being depreciated	-	84,679,452	84,679,452
Assets not being depreciated	-	34,154,861	34,154,861
Total Assets	<u>\$ 7,880,365</u>	<u>\$ 118,834,313</u>	<u>\$ 126,714,678</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 294,413	\$ -	\$ 294,413
Accrued liabilities	329,641	-	329,641
Accrued interest payable	-	82,644	82,644
Due to other governmental units	4,902	-	4,902
Advances and deposits	835,550	-	835,550
Deferred revenue	259,971	(259,971)	-
Noncurrent Liabilities:			
Due within one year	45,500	893,108	938,608
Due in more than one year	-	3,789,292	3,789,292
Total Liabilities	<u>1,769,977</u>	<u>4,505,073</u>	<u>6,275,050</u>

Fund Balance:

Fund Balance -			
Reserved -			
Revenues over exp Prepaid items	142,268	(142,268)	-
Unreserved -			
Designated	2,496,330	(2,496,330)	-
Undesignated	3,471,790	(3,471,790)	-
Total Fund Balance	<u>6,110,388</u>	<u>(6,110,388)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 7,880,365</u></u>		

Net Assets:

Invested in capital assets, net of related debt	114,489,313	114,489,313
Unrestricted	5,950,315	5,950,315
Total Net Assets	<u><u>\$ 120,439,628</u></u>	<u><u>\$ 120,439,628</u></u>

See Notes to Financial Statements

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Permits	\$ 128,141	\$ -	\$ 128,141
Intergovernmental -			
Federal sources	1,486,426	-	1,486,426
State sources	14,421,191	-	14,421,191
Local sources	5,573,210	164,048	5,737,258
Charges for services	4,256,617	-	4,256,617
Interest and rents	169,692	-	169,692
Other	77,762	13,765	91,527
Total Revenues	<u>26,113,039</u>	<u>177,813</u>	<u>26,290,852</u>
Expenditures/Expenses:			
Current -			
Local construction/capacity improvements	1,200,242	(1,200,242)	-
Primary preservation - structural improvements	7,460,456	(7,460,456)	-
Local preservation - structural improvements	1,921,214	(1,921,214)	-
Primary maintenance	3,929,767	(805)	3,928,962
Local maintenance	5,022,627	4,422	5,027,049
State maintenance	3,962,305	-	3,962,305
Administrative	367,239	(26,505)	340,734
Equipment operations	3,596,408	(865,376)	2,731,032
Less equipment rental			
charged to other activities	(3,404,924)	-	(3,404,924)
Depreciation	-	6,150,578	6,150,578
Other	1,013,986	-	1,013,986
Capital outlay	655,643	(655,643)	-
Less: depreciation credit			
and retirements	(908,036)	908,036	-
Debt Service -			
Principal	640,000	(640,000)	-
Interest	225,720	(11,166)	214,554
Total Expenditures/Expenses	<u>25,682,647</u>	<u>(5,718,371)</u>	<u>19,964,276</u>
Revenues over expenditures/expenses	430,392	5,896,184	6,326,576
Fund Balance/Net Assets at January 1, 2007	<u>5,679,996</u>	<u>108,433,056</u>	<u>114,113,052</u>
Fund Balance/Net Assets at December 31, 2007	<u><u>\$ 6,110,388</u></u>	<u><u>\$ 114,329,240</u></u>	<u><u>\$ 120,439,628</u></u>

See Notes to Financial Statements

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Permits	\$ 155,000	\$ 155,000	\$ 128,141	\$(26,859)
Intergovernmental -				
Federal sources	4,062,300	4,073,650	1,486,426	(2,587,224)
State sources	11,645,000	12,560,000	14,421,191	1,861,191
Local sources	3,370,024	3,542,000	5,573,210	2,031,210
Charges for services	3,220,000	3,220,000	4,256,617	1,036,617
Interest and rents	50,000	50,000	169,692	119,692
Other	135,000	135,000	77,762	(57,238)
Total Revenues	<u>22,637,324</u>	<u>23,735,650</u>	<u>26,113,039</u>	<u>2,377,389</u>
Expenditures:				
Current -				
Local construction/capacity improvements	-	-	1,200,242	(1,200,242)
Primary preservation - structural improvements	7,194,360	9,151,335	7,460,456	1,690,879
Local preservation - structural improvements	1,525,000	1,237,500	1,921,214	(683,714)
Primary maintenance	4,600,000	4,140,000	3,929,767	210,233
Local maintenance	4,225,000	4,647,500	5,022,627	(375,127)
State maintenance	3,220,000	3,542,000	3,962,305	(420,305)
Administrative	546,000	491,400	367,239	124,161
Equipment operation	3,285,750	3,285,750	3,596,408	(310,658)
Less equipment rental charged to other activities	(3,587,500)	(3,587,500)	(3,404,924)	(182,576)
Other	625,000	625,000	1,013,986	(388,986)
Capital outlay - net	(250,000)	(250,000)	(252,393)	2,393
Debt service	865,145	865,720	865,720	-
Total Expenditures	<u>22,248,755</u>	<u>24,148,705</u>	<u>25,682,647</u>	<u>(1,533,942)</u>
Revenues over (under) expenditures	388,569	(413,055)	430,392	843,447
Fund Balance at January 1, 2007	<u>3,584,707</u>	<u>5,679,996</u>	<u>5,679,996</u>	<u>-</u>
Fund Balance at December 31, 2007	<u>\$ 3,973,276</u>	<u>\$ 5,266,941</u>	<u>\$ 6,110,388</u>	<u>\$ 843,447</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the St. Clair County Road Commission, a component unit of the County of St. Clair, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The more significant accounting policies are described as follows:

A. Description of Road Commission Operations –

The St. Clair County Road Fund, referred to as the Road Commission, is a Component Unit of the County of St. Clair, Michigan, and is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal awards, reimbursements from the Department of State Highways for work performed by the County on State trunklines and contributions from other local units of government (townships) for work performed by the Road Commission work force. The Road Fund is the only fund of the Road Commission.

The Road Commission which is established pursuant to the County Road Law (MCL224.1) operates under a Board appointed by the County Board of Commissioners, of three (3) County Road Commissioners who establish policies and review operations of the Road Commission. The Road Commission provides services to twenty-three (23) Townships in St. Clair County and maintains over 1,800 miles of state, local and primary roads.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation –

The government-wide financial statement columns (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the year. The major revenue sources that are susceptible to accrual are motor vehicle highway funds and township contributions. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

C. Assets, Liabilities, and Fund Balance or Net Assets –

Cash and Cash Equivalents – The Road Commission's cash and cash equivalents are cash on hand, demand deposits and pooled investment funds which are recorded at cost, which approximates fair value.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Inventories – Inventories of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at the lower of average cost or market.

Prepaid Items – Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure are reported in the government-wide (statement of net assets) financial statements. Capital assets for land, buildings and improvements and all equipment except road equipment are defined by the Road Commission as assets with a purchase price greater than \$1,000 and an estimated useful life in excess of 1 year. Road equipment is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the governmental fund statements as capital expenditures at the time of purchase.

Depreciation is computed on the sum-of-the-years digits method for road equipment, and straight-line method for all other capital assets over the estimated useful life of the related asset.

The estimated useful lives are as follows:

Buildings and Improvements	20-50 years
Equipment	4-20 years
Roads	8-30 years
Bridges	25-50 years
Traffic Signals	15 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals, which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource (gravel).

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation and depletion in the governmental fund statements as a charge to various expenditures accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity of the governmental fund statements.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Accrued Vacation and Sick Pay – In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. All amounts vested are accrued in the government-wide statements (statement of net assets).

Deferred Revenues – In both the government-wide and the fund financial statements revenue received or recorded before earned is recorded as deferred revenue. In addition, in the governmental fund statements revenues that are not both measurable and available are recorded as deferred revenues.

Advances From The State of Michigan – The State of Michigan advances funds on a State maintenance agreement it has with the St. Clair County Road Commission for specified maintenance, which the Road Commission will perform during the year, and for equipment purchased and used in performance of the specified maintenance. These advances are considered current liabilities because they are subject to repayment annually upon audit by the State of Michigan.

Equipment Rentals – The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is offset to equipment expenditures/expenses.

Long-Term Obligations – In the government-wide financial statements (statement of net assets), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. As permitted by GASB Statement No. 34, the Road Commission has elected to apply the provisions related to bond premiums discounts, and issuance costs on a prospective basis.

Fund Equity – Designation of fund balance represents tentative management plans that are subject to change.

Estimates - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

- A.** Explanation of differences between the governmental fund statement and the government-wide statement of net assets (Page 9).

Fund Balance – governmental fund	\$ 6,110,388
Capital assets used in the governmental fund activities that are not financial resources and therefore not reported in the governmental fund financial statements	
Add – capital assets	178,092,166
Deduct – accumulated depreciation	(59,257,853)
Long-term liabilities that are not due in the current period therefore not reported in the governmental fund statements	(4,682,400)
Accrued interest payable on long-term liabilities not reported in the governmental fund statements	(82,644)
Revenues that have been deferred in the governmental fund statements because they are not “available”	<u>259,971</u>
Net Assets	<u>\$ 120,439,628</u>

- B.** Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities (Page 10).

Excess of revenues over expenditures - governmental fund statements	\$ 430,392
The governmental fund statements report capital outlay as expenditures, however, in the government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Add – capital outlay and infrastructure	11,242,783
Deduct – depreciation	(6,150,578)
Revenues are deferred in the governmental fund statements because they do not provide current financial resources that are reported in the government-wide Statement of Activities	177,813

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (cont'd):

Principal payments on long-term liabilities are reported as an expenditure in the governmental fund statements, but not in the government-wide Statement of Activities (where it reduces the long-term liability)	\$ 640,000
Interest expense adjustment for accrual reported in the government-wide Statement of Activities when the liability is incurred and reported in the governmental fund statements only when payment is due	11,166
Some expenses reported in the government-wide Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund	
Add - Decrease in accrued sick and vacation	(25,000)
Change in Net Assets	<u>\$ 6,326,576</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Auditing and Reporting –

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States as described in the Independent Auditor's Report, but, also with the standards as provided in Act No. 71 of Public Acts of 1919, Section 21.41 of the Michigan Compiled Laws.

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as described in the Independent Auditor's Report, but also with applicable rules of the Michigan State Department of Transportation.

Budgetary Compliance –

The Director of Internal Services prepares from data submitted by the administrative staff a proposed operating budget for the calendar year commencing January 1. The operating budget includes proposed expenditures and resources to finance them.

The budget for the General Operating Fund is adopted on the modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

Prior to May 1, the proposed budget is presented to the Board of County Road Commissioners. The Board holds a public hearing in October or November and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Road Commissioner's Resolution. The budget is approved at the activity level by the Board of County Road Commissioners.

Expenditures may not exceed appropriations at the activity level. The managing director has been granted the authority by the Board of County Road Commissioners to amend the budget up to 10% of the activity amount. Budgetary control is exercised at the activity level. Individual amendments were material in relation to the original appropriation.

The Road Commission does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level. During the year ended December 31, 2007, the Road Commission had over-expenditures as reported on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

NOTE 4 - DEPOSITS AND INVESTMENTS:

As of December 31, 2007, the carrying amount of deposits and investments is as follows:

Cash on Hand	
Petty Cash	\$ 250
Deposits with Financial Institutions	
Imprest Checking	6,000
Checking maintained by County Treasurer	1,369,211
Savings Maintained by County Treasurer	<u>677,693</u>
	<u>\$ 2,053,154</u>

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the St. Clair County Treasurer's Office, and in order to make disbursements, the St. Clair County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. The investing of cash is performed by the County Treasurer.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS – (cont’d):

Custodial Credit Risk – Deposits – is the risk that in the event of a bank failure, the Road Commission’s deposits may not be returned to it. Michigan Public Acts authorize Road Commissions to deposit into the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan. The Road Commission is in compliance with its investment policy in regards to custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

The Road Commission’s deposits consist of demand and savings accounts. At December 31, 2007, the carrying amount of the Road Commission’s deposits is \$2,052,904, and the bank balance is \$2,533,793. As a component unit of St. Clair County, all Road Commission cash is part of the accounts maintained by St. Clair County, at bank institutes insured by federal deposit insurance. However, it cannot be determined to what extent the FDIC insurance applies to the Road Commission.

The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other government units as of December 31, 2007 consists of the following:

State –	
Motor Vehicle Highway Funds	\$ 1,622,598
Trunkline Maintenance	404,630
Transportation Department – Other	<u>111,053</u>
	<u>2,138,281</u>
Local –	
Township road agreements	1,567,298
Others	<u>378,646</u>
	<u>1,945,944</u>
	<u>\$ 4,084,225</u>

The governmental fund statements report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Both the government-wide and governmental fund statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year deferred revenue in the governmental fund consisted of local receivables from municipalities in the amount of \$246,206 and other receivables in the amount of 13,765 that are considered to be unavailable at December 31, 2007.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - COMPONENT UNIT/PRIMARY GOVERNMENT RECEIVABLE BALANCE:

The receivable balance described as Due From Other Component Units on the Balance Sheet/Statement of Net Assets reflects amounts owed the Road Commission by other component units of St. Clair County. These amounts represent short-term obligations on open accounts for office rental, office maintenance, labor, fringe benefits, etc. and not current portions of long-term loans. The following is a summary of the Due From Other Component Units balance at December 31, 2007:

	<u>Amount</u>
<u>St. Clair County Component Units -</u>	
Department of Public Works -	
Waste Water Treatment Plant	\$ 20,571
Utility Operation & Maintenance Receiving	4,230
Drain Commission	<u>9,961</u>
	<u>\$ 34,762</u>
 <u>Primary Government -</u>	
Airport	\$ 5,385
St. Clair County	<u>34,299</u>
	<u>\$ 39,684</u>

NOTE 7 - INVENTORIES:

The inventory balance of \$1,473,060 at December 31, 2007 consisted of \$766,556 of road materials and \$706,504 of equipment parts and materials.

NOTE 8 - CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	Balance January 1, 2007	Additions	Deletions	Adjustments/ Removals	Balance December 31, 2007
Capital Assets, not being depreciated -					
Land	\$ 65,629	\$ -	\$ -	\$ -	\$ 65,629
Land Improvements	31,721,283	1,183,916	-	-	32,905,199
Right of Ways	<u>1,184,033</u>	-	-	-	<u>1,184,033</u>
Total Capital Assets, Not Being Depreciated	<u>32,970,945</u>	<u>1,183,916</u>	-	-	<u>34,154,861</u>
Capital Assets, being depreciated -					
Buildings and Improvements	4,464,387	97,230	-	-	4,561,617
Road Equipment	10,896,408	546,492	105,556	-	11,337,344
Shop Equipment	664,336	5,500	-	-	669,836
Office Equipment	279,839	6,421	-	-	286,260
Engineering Equipment	277,476	-	-	-	277,476
Infrastructure -					
Roads	89,126,879	5,626,522	1,943,818	-	92,809,583
Bridges	29,642,835	3,771,474	-	-	33,414,309
Traffic Signals	412,197	5,228	-	-	417,425
Depletable assets -					
Gravel Pits	<u>163,455</u>	-	-	-	<u>163,455</u>
	<u>135,927,812</u>	<u>10,058,867</u>	<u>2,049,374</u>	-	<u>143,937,305</u>

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 - CAPITAL ASSETS – (cont'd):

	Balance January 1, 2007	Additions	Deletions	Adjustments/ Removals	Balance December 31, 2007
Less – Accumulated Depreciation for –					
Buildings and Improvements	\$ 2,207,209	\$ 98,036	\$ -	\$ -	2,305,245
Road Equipment	9,300,424	759,258	105,556	-	9,954,126
Shop Equipment	475,775	18,501	-	-	494,276
Office Equipment	239,586	16,087	-	-	255,673
Engineering Equipment	212,490	16,155	-	-	228,645
Infrastructure –					
Roads	30,867,425	4,575,339	1,943,818	-	33,498,946
Bridges	11,560,901	647,106	-	-	12,208,007
Traffic Signals	246,497	20,096	-	-	266,593
Depletable Assets	<u>46,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,342</u>
	<u>55,156,649</u>	<u>6,150,578</u>	<u>2,049,374</u>	<u>-</u>	<u>59,257,853</u>
 Total Capital Assets, being depreciated, net	 <u>80,771,163</u>	 <u>3,908,289</u>	 <u>-</u>	 <u>-</u>	 <u>84,679,452</u>
 Governmental activity capital assets, net	 <u>\$113,742,108</u>	 <u>\$ 5,092,205</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$118,834,313</u>

Total depreciation for the year ended December 31, 2007 was \$6,150,578.

NOTE 9 - FEDERAL AWARDS:

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway Research, Planning and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended December 31, 2007, the Road Commission of St. Clair County had less than \$500,000 of force account expenditures applicable to federal awards (local force revenue). As a result, an audit for compliance under the Single Audit Act has not been performed.

The total federal revenues of \$1,486,426 represent the Department of Transportation Federal Highway grant money expended on public road improvement projects, which were administered by the Michigan Department of Transportation, however, are required to be reported by the Road Commission.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10 - ADVANCES AND DEPOSITS:

Advances of \$835,550 at December 31, 2007, represent money advanced by the State of Michigan under the maintenance contract the Road Commission has with the State, for cash flow and equipment purchases, and advances from Townships, contractors and individuals for various projects. Both State advances are adjusted annually by the State and must be repaid if the maintenance contract is canceled. The following is a summary of the balance by source and use:

State -	
Trunkline maintenance	\$ 290,222
Equipment	<u>446,425</u>
	736,647
Local -	
Other Governmental Units -	
Township advances	7,637
Contractors and Individuals –	
Permits	<u>91,266</u>
	<u>\$ 835,550</u>

NOTE 11 - LONG-TERM LIABILITIES:

The following is a summary of the changes in long-term liabilities of the Road Commission for the year ended December 31, 2007:

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Bonds and Notes Payable:					
MTF Bonds – Series 1999	\$ 3,735,000	\$ -	\$ 390,000	\$ 3,345,000	\$ 410,000
MTF Notes – Series 2001	<u>1,250,000</u>	<u>-</u>	<u>250,000</u>	<u>1,000,000</u>	<u>250,000</u>
Total Bonds & Notes Payable	<u>4,985,000</u>	<u>-</u>	<u>640,000</u>	<u>4,345,000</u>	<u>660,000</u>
Other Liabilities –					
Accrued sick & vacation	298,000	507,000	482,000	323,000	233,108
Accrued claim liability	<u>59,900</u>	<u>-</u>	<u>-</u>	<u>59,900</u>	<u>45,500</u>
Total Liabilities	<u>357,900</u>	<u>507,000</u>	<u>482,000</u>	<u>382,900</u>	<u>278,608</u>
	<u>\$ 5,342,900</u>	<u>\$ 507,000</u>	<u>\$ 1,122,000</u>	<u>\$ 4,727,900</u>	<u>\$ 938,608</u>

Significant details regarding outstanding long-term liabilities are presented below:

MTF Bonds – Series 1999 –

The County of St. Clair, Michigan issued \$6,000,000 of Michigan Transportation Fund Bonds, Series 1999, dated June 1, 1999 pursuant to the provision of Act 51, Public Acts of Michigan of 1951, as amended. The Bonds are issued in anticipation of and are payable from monies derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 51.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 11 - LONG-TERM LIABILITIES – (cont'd):

As additional security for the payment of the principal of and interest on the Bonds, in the event and to the extent that Michigan Transportation Fund money is not sufficient to pay such principal and interest, the County is obligated to advance from its general fund money sufficient to pay such principal and interest. The County does not have the power to levy taxes to pay principal of and interest on the bonds over and above its authorized tax rate established pursuant to law. To the extent such an advance is made from the County's general fund, the general fund shall be reimbursed from the first subsequent revenues received by the Road Commission from Michigan Transportation Fund money not pledged or required to be set aside and used for the payment of bonds or notes of other evidence of indebtedness.

The Bonds maturing on or prior to August 1, 2009 shall not be subject to redemption prior to maturity. Bonds maturing on or after August 1, 2010 shall be subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any one or more interest payment dates on or after August 1, 2009. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

Principal on the bonds is due on August 1, 2008 through 2014 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 4.5% to 4.95%.

MTF Notes – Series 2001 –

The County of St. Clair, Michigan issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001 pursuant to the provision of Act 202 Public Acts of Michigan 1943, as amended. The Notes are issued in anticipation of and are payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202.

Principal on the notes is due on August 1, 2008 through 2011 with interest due semi-annually on February 1 and August 1 at interest rates at 4.0%.

Accrued Sick and Vacation -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights, which has been accrued, on the financial statements amounted to approximately \$153,000 for sick leave and \$170,000 for vacation at December 31, 2007.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 11 - LONG-TERM LIABILITIES – (cont'd):

Accrued Claims Liability –

The Road Commission is self-insured for health care benefits. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision, which are adjusted quarterly.

The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR), of \$59,900 at December 31, 2007.

Amortization Requirements –

The annual requirements to amortize long-term liabilities outstanding at December 31, 2007, except compensated absences and accrued claims liability, are as follows:

	<u>MTF Bonds-Series 1999</u>		<u>MTF Notes-Series 2001</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 410,000	\$ 158,720	\$ 250,000	\$ 39,626	\$ 858,346
2009	430,000	140,270	250,000	30,000	850,270
2010	455,000	120,920	250,000	20,000	845,920
2011	475,000	99,763	250,000	10,000	834,763
2012	500,000	77,200	-	-	577,200
2013-2014	<u>1,075,000</u>	<u>80,175</u>	<u>-</u>	<u>-</u>	<u>1,155,175</u>
	<u>\$ 3,345,000</u>	<u>\$ 677,048</u>	<u>\$1,000,000</u>	<u>\$ 99,626</u>	<u>\$ 5,121,674</u>

NOTE 12 - EMPLOYEE PENSION PLAN:

Plan Description

The St. Clair County Road Commission, as a component unit of St. Clair County, participates in the St. Clair County Retirement System. The Retirement system is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for substantially all employees of St. Clair County and the St. Clair County Community Mental Health Authority. Effective for the year ended December 31, 2005, financial and actuarial information is maintained separately for the three groups of plan members, however, the assets held by the plan are legally available to pay all of the plan members. The system is administered, managed and operated by a Board composed of 9 trustees, which is composed of the Chairperson of the Board of Commissioners, Chairperson of the St. Clair County Road Commission Board, one appointed citizen, one elected by the Community Mental Health Authority Board and four elected employees. The benefit provisions are governed by Michigan Public Act of 1984, as amended. The plan may be amended by the County Board of Commissioners.

The County issues publicly available annual financial statements that include financial statements for the plan. That report may be obtained from St. Clair County by writing to the Administrator/Controllers office, 200 Grand River, Port Huron, Michigan 48060 or by calling (810) 989-6900.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 12 - EMPLOYEE PENSION PLAN – (cont'd):

Funding Policy

The obligation to contribute to and maintain the retirement system for the employees was established by negotiations with the County collective bargaining units and by personnel policy for non-represented employees. The County is required to contribute at an actuarially determined amount, which for 2007, was 11.49% of annual covered payroll. Plan members are required to contribute 5% of their annual covered salary. The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners.

Annual Pension Costs

During the year ended December 31, 2007, the Road Commission's annual pension cost of \$506,924 was equal to the Road Commission's required and actual contributions.

The required contribution rate was determined as part of the December 31, 2005 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 7.5% net investment rate of return, and (b) project salary increases of .5% to 5.5% per year, which includes pay inflation at 5.0%. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five-year period. The plan unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period, with a remaining amortization period as of December 31, 2005 of 24 years for decreasing by one year, then rolling at 20 years.

Trend Information

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
2005	\$ 32,034,571	\$ 33,624,632	\$ 1,590,061	95.3%	\$ 5,847,691	27.2 %
2006	33,856,063	34,841,918	985,315	97.2	5,768,789	17.1

Schedule of Employer Contributions -

Year Ended	Road Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
December 31, 2005	\$ 390,041	100 %	\$ -
December 31, 2006	548,035	100	-
December 31, 2007	506,924	100	-

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 13 - POSTEMPLOYMENT BENEFITS:

Plan Description -

St. Clair County Road Commission provides postemployment benefits for those employees that are part of the St. Clair County Retirement System as described in Note 12. Postemployment benefits consist of health, dental and prescription drug coverage. In general, all employees are eligible for postemployment benefits.

Funding Policy -

The funding policy provides for periodic employer contributions at actuarially determined rates. The actuarially determined amount, which for 2007 was 26.69% of annual covered payroll. The plan requires no member contributions for Road Commission employees.

Annual Postemployment Benefit Costs -

During the year ended December 31, 2007, employer contributions of \$82,075 were made by the Road Commission. Employer contributions represented 1.51% of covered payroll. The actuarial valuation dated December 31, 2005 determined a contribution rate for calendar 2007 of 26.69% of covered payroll.

The required contribution rate was determined as part of the December 31, 2005 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 7.5% net investment rate of return, (b) projected salary increases of .5% to 5.5% per year, and (c) projected health care premium increases of 5% to 10% per year.

Trend Information

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
2005	\$ 8,538,500	\$ 27,724,845	\$ 19,186,345	30.8 %	\$ 5,847,691	328 %
2006	8,141,166	40,933,787	32,792,625	19.9	5,768,789	568

Schedule of Employer Contributions -

Year Ended	Road Annual Benefit Costs (APC)	Percentage of APC Contribution	Net Benefit Obligation
December 31, 2005	\$ 370,124	32.90 %	\$ 754,972
December 31, 2006	201,908	19.62	827,244
December 31, 2007	82,075	.05	1,446,547

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 14 - DESIGNATED FUND BALANCE:

The Road Commission Fund Balance at December 31, 2007, has been designated as follows:

Preservation-Structural Improvements	\$ 1,506,000
Local Road Engineering	88,597
County critical bridge program - uncommitted	163,581
Township match money - unused County share	225,323
Local Road Funding Assistance program	217,029
Liability claims deductible	200,000
Health Coverage IBNR	<u>95,800</u>
	<u>\$ 2,496,330</u>

NOTE 15 - SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES:

In the normal course of its operations, the St. Clair County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

NOTE 16 - RISK MANAGEMENT:

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop-loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self Insurance Fund for workers' compensation insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission is self-insured for health care benefits. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision, which are adjusted quarterly.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 - RISK MANAGEMENT – (cont'd):

The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR), of \$59,900 at December 31, 2007. See Note 11 to the Financial Statements.

NOTE 17 - EQUIPMENT OPERATIONS EXPENDITURE/EXPENSE BALANCE:

The Road Commission in compliance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions charges rental on Road Commission equipment used for various construction and maintenance projects performed by the Road Commission. The cost for this rental for 2007 is based on either a rental rate per hour established by the Michigan Department of Transportation or the actual costs per hour from 2006 data, multiplied by rental hours, is reported as an expenditure in the various maintenance activities. An expenditure credit is reported as an offset against the equipment expenditure activities. Accordingly, the equipment rental does not affect total expenditures or the available operating equity of the Road Commission's General Operating Fund. The balance for the year ended December 31, 2007 is as follows:

	<u>Governmental Fund</u>	<u>Statement of Activities</u>
Equipment –		
Direct	\$ 1,891,053	\$ 1,131,796
Indirect	1,143,192	1,037,073
Operating	<u>562,163</u>	<u>562,163</u>
	3,596,408	2,731,032
Less-equipment rental	<u>(3,404,924)</u>	<u>(3,404,924)</u>
	<u>\$ 191,484</u>	<u>\$ (673,892)</u>

NOTE 18 - CAPITAL OUTLAY EXPENDITURE CREDIT BALANCE:

On the governmental fund financial statements, the Road Commission reports a depreciation credit as an offset to capital outlay as a result of charging depreciation to various expenditure accounts as explained in Note 1. Retirements are also reported as a credit against capital outlay. The credit balance of \$252,393 is the result of the amount of depreciation exceeding capital outlay expenditures for the year ended December 31, 2007 as follows:

Capital Outlay –	
Land improvements, building and equipment	\$ 655,643
Less – depreciation/depletion	<u>(908,036)</u>
	<u>\$ (252,393)</u>

SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

DETAIL SCHEDULE OF REVENUES AND OTHER SOURCES
GENERAL OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Revenues:		
Permits	\$ 128,141	\$ 146,081
Federal Sources -		
Federal aid urban/ rural	1,147,535	2,559,019
Federal aid bridge	338,891	531,759
Other	-	186,560
	<u>1,486,426</u>	<u>3,277,338</u>
State Sources -		
Motor Vehicle Highway Funds - Act 51 -		
Engineering	10,000	10,000
Primary roads	7,566,405	7,634,958
Local roads	3,250,382	3,262,196
Michigan Economic Development	3,594,404	1,073,543
	<u>14,421,191</u>	<u>11,980,697</u>
Local Sources -		
Township contributions - match money	3,120,644	3,927,293
County appropriations	600,000	600,000
Other contributions	1,852,566	1,803,345
	<u>5,573,210</u>	<u>6,330,638</u>
Charges for Services -		
Trunkline maintenance	3,495,296	3,329,903
Trunkline nonmaintenance	469,515	243,035
Salvage sales	7,790	6,600
Subdivisions	284,016	34,159
	<u>4,256,617</u>	<u>3,613,697</u>
Interest and rents	<u>169,692</u>	<u>143,585</u>
Other -		
Gain on equipment disposal	5,477	12,706
Sundry refunds	27,471	20,831
Other	44,814	69,527
	<u>77,762</u>	<u>103,064</u>
Total Revenues	<u><u>\$ 26,113,039</u></u>	<u><u>\$ 25,595,100</u></u>

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

DETAIL SCHEDULE OF EXPENDITURES
GENERAL OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Expenditures:		
Construction/capacity Improvements -		
Local roads and structures	\$ 1,104,008	\$ 398,435
Other non-motorized	96,234	368,215
	<u>1,200,242</u>	<u>766,650</u>
Preservation - Structural Improvements -		
Primary roads and structures	7,460,456	6,872,641
Local roads and structures	1,921,214	2,565,902
	<u>9,381,670</u>	<u>9,438,543</u>
Maintenance -		
Primary roads and structures,		
winter and traffic control	3,929,767	3,307,209
Local roads and structures,		
winter and traffic control	5,022,627	5,498,045
	<u>8,952,394</u>	<u>8,805,254</u>
State Maintenance -		
Trunkline maintenance	3,492,788	3,268,121
Trunkline nonmaintenance	469,517	243,049
	<u>3,962,305</u>	<u>3,511,170</u>
Administrative -		
Administration	935,579	1,126,055
Less - handling	(6,810)	(9,116)
- overhead	(307,418)	(273,064)
- purchase discounts	(6,508)	(3,434)
- other administrative credit	(247,604)	(322,167)
	<u>367,239</u>	<u>518,274</u>
Equipment operations-		
Direct	1,891,053	1,883,205
Indirect	1,143,192	1,080,904
Operating	562,163	518,924
Less - equipment rental	(3,404,924)	(2,791,820)
	<u>191,484</u>	<u>691,213</u>
Other -		
Services	<u>1,013,986</u>	<u>1,588,312</u>
Capital Outlay -		
Land improvements, building		
and equipment	655,643	368,935
Less - depreciation	(908,036)	(998,159)
- retirements	-	(256)
	<u>(252,393)</u>	<u>(629,480)</u>
Debt Service -		
Principal retirement	640,000	625,000
Interest and fiscal charges	225,720	250,876
	<u>865,720</u>	<u>875,876</u>
Total Expenditures	<u>\$ 25,682,647</u>	<u>\$ 25,565,812</u>

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BY FUND BALANCE SUB-ACCOUNTS
GENERAL OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Primary	Local	County	Total
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 128,141	\$ 128,141
Intergovernmental -				
Federal Sources	1,147,535	338,891	-	1,486,426
State Sources	11,167,828	3,253,363	-	14,421,191
Local Sources	-	3,697,255	1,875,955	5,573,210
Charges for services	-	-	4,256,617	4,256,617
Interest & rents	-	-	169,692	169,692
Other	-	-	77,762	77,762
Total Revenues	<u>12,315,363</u>	<u>7,289,509</u>	<u>6,508,167</u>	<u>26,113,039</u>
Expenditures:				
Construction/capacity Improvements	-	1,200,242	-	1,200,242
Preservation - structural improvements	7,460,456	1,921,214	-	9,381,670
Maintenance	3,929,767	5,022,627	-	8,952,394
Other -				
Trunkline maintenance	-	-	3,492,788	3,492,788
Trunkline nonmaintenance	-	-	469,517	469,517
Administrative - net	214,133	153,106	-	367,239
Equipment - net	46,473	68,475	76,536	191,484
Other	-	-	1,013,986	1,013,986
Capital outlay - net	-	-	(252,393)	(252,393)
Debt principal	-	-	640,000	640,000
Interest	-	-	225,720	225,720
Total Expenditures	<u>11,650,829</u>	<u>8,365,664</u>	<u>5,666,154</u>	<u>25,682,647</u>
Excess of revenues over (under) expenditures before optional transfer	664,534	(1,076,155)	842,013	430,392
Optional transfer	<u>(664,534)</u>	<u>664,534</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures after optional transfer	-	(411,621)	842,013	430,392
Fund Balance at January 1, 2007	-	-	5,679,996	5,679,996
Interfund adjustments	<u>-</u>	<u>411,621</u>	<u>(411,621)</u>	<u>-</u>
Fund Balance at December 31, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,110,388</u>	<u>\$ 6,110,388</u>

SECTION THREE: STATISTICAL SECTION

This section of the St. Clair County Road Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reports about the Road Commission's overall financial health. These tables are presented because they are representative of the Road Commission activity and are the statistics commonly used to assess Road Commission operations and financial position.

Contents	<u>Page Number</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Road Commission's financial performance and well-being have changed over time.</i>	31
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, Michigan transportation funds.</i>	36
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Road Commission's current levels of outstanding debt and the ability to issue additional debt in the future.</i>	38
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Road Commission's financial activities take place.</i>	40
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Road Commission's financial report relates to the services the government provides and the activities it performs.</i>	48

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NET ASSETS BY COMPONENT
(accrual basis of accounting)
YEARS ENDED 2002 THROUGH 2007
(UNAUDITED)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 114,489,313	\$ 108,757,108	\$ 103,484,184	\$ 90,680,974	\$ 80,834,804	\$ 65,474,089
Unrestricted	<u>5,950,315</u>	<u>5,355,944</u>	<u>5,336,271</u>	<u>5,932,596</u>	<u>5,933,046</u>	<u>7,461,966</u>
Total Net Assets	<u>\$ 120,439,628</u>	<u>\$ 114,113,052</u>	<u>\$ 108,820,455</u>	<u>\$ 96,613,570</u>	<u>\$ 86,767,850</u>	<u>\$ 72,936,055</u>

Note: Accrual-basis financial information for the County Road Commission is available back to 2002 only, the year GASB Statement 34 was implemented.

Table 1

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

CHANGE IN NET ASSETS
(accrual basis of accounting)
YEARS ENDED 2002 THROUGH 2007
(UNAUDITED)

	2007	2006	2005	2004	2003	2002
Revenues:						
Permits	\$ 128,141	\$ 146,081	\$ 151,951	\$ 178,579	\$ 157,974	\$ 173,556
Intergovernmental -						
Federal sources	1,486,426	3,277,338	1,446,684	643,311	1,459,093	1,072,789
State sources	14,421,191	11,980,697	18,735,094	17,873,320	11,031,273	12,361,297
Local sources	5,737,258	6,314,207	7,543,165	5,737,073	5,640,496	6,185,116
Charges for services	4,256,617	3,613,697	4,018,597	3,559,912	3,182,188	3,116,598
Interest and rents	169,692	143,585	91,074	59,113	58,212	116,747
Other	91,527	103,064	101,411	139,502	99,518	206,324
Total Revenues	<u>\$ 26,290,852</u>	<u>\$ 25,578,669</u>	<u>\$ 32,087,976</u>	<u>\$ 28,190,810</u>	<u>\$ 21,628,754</u>	<u>\$ 23,232,427</u>
Expenditures/Expenses:						
Current -						
Primary maintenance	3,928,962	3,272,572	4,091,204	3,529,976	4,015,004	3,894,924
Local maintenance	5,027,049	5,490,108	4,666,707	4,923,850	5,128,421	5,169,331
State maintenance	3,962,305	3,511,170	3,983,799	3,512,654	3,148,252	3,261,770
Administrative	340,734	483,354	641,426	585,446	955,844	917,488
Equipment operations - net	(673,892)	(254,153)	(395,864)	(455,350)	(1,207,217)	(1,201,982)
Depreciation	6,150,578	5,952,649	5,767,557	4,838,033	4,749,890	5,538,881
Other	1,013,986	1,588,312	863,033	1,120,917	1,228,519	1,939,090
Debt Service - Interest	214,554	242,060	263,229	289,564	317,033	345,483
Total Expenditures/Expenses	<u>\$ 19,964,276</u>	<u>\$ 20,286,072</u>	<u>\$ 19,881,091</u>	<u>\$ 18,345,090</u>	<u>\$ 18,335,746</u>	<u>\$ 19,864,985</u>
Change in Net Assets	<u>\$ 6,326,576</u>	<u>\$ 5,292,597</u>	<u>\$ 12,206,885</u>	<u>\$ 9,845,720</u>	<u>\$ 3,293,008</u>	<u>\$ 3,367,442</u>

Note: Accrual-basis financial information for the County Road Commission is only available back to 2002, the year GASB 34 was implemented.

Table 2

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

FUND BALANCE BY COMPONENT
(modified accrual basis of accounting)
YEARS ENDED 1998 THROUGH 2007
(UNAUDITED)

	Reserved		Unreserved		Total
	Prepaid Items	Bond Expenditures	Designated	Undesignated	
1998	\$ 265,924	\$ -	\$ 2,758,829	\$ 4,465,741	\$ 7,490,494
1999	99,058	976,551	3,185,989	4,866,909	9,128,507
2000	153,280	-	2,934,631	6,329,605	9,417,516
2001	76,282	337,769	2,258,741	6,850,393	9,523,185
2002	83,251	-	1,903,896	5,691,103	7,678,250
2003	249,909	-	4,174,227	1,768,343	6,192,479
2004	197,885	-	1,954,847	4,017,728	6,170,460
2005	207,372	-	1,322,040	4,121,296	5,650,708
2006	318,131	-	1,625,525	3,736,340	5,679,996
2007	142,268	-	2,496,330	3,471,790	6,110,388

Table 3

ST CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
LAST TEN YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Permits	128,141	146,081	151,951	178,579
Intergovernmental -				
Federal sources	1,486,426	3,277,338	1,446,684	643,311
State sources	14,421,191	11,980,697	18,735,094	17,873,320
Local sources	5,573,210	6,330,638	7,732,017	5,717,473
Charges for services	4,256,617	3,613,697	4,018,597	3,559,912
Interest and rents	169,692	143,585	91,074	59,113
Other	77,762	103,064	101,411	139,502
Total revenues	<u>26,113,039</u>	<u>25,595,100</u>	<u>32,276,828</u>	<u>28,171,210</u>
Other financing sources				
Bond proceeds	-	-	-	-
Total revenues and other sources	<u>26,113,039</u>	<u>25,595,100</u>	<u>32,276,828</u>	<u>28,171,210</u>
Expenditures				
Current -				
Primary construction/capacity improvements	-	-	7,264,911	6,096,293
Local construction/capacity improvements	1,200,242	766,650	3,247,106	1,770,267
Primary preservation - structural improvements	7,460,456	6,872,641	3,578,990	3,637,983
Local preservation - structural improvements	1,921,214	2,565,902	3,023,177	1,602,373
Primary maintenance	3,929,767	3,307,209	4,144,770	3,538,907
Local maintenance	5,022,627	5,498,045	4,726,860	4,936,180
State maintenance	3,962,305	3,511,170	3,983,799	3,512,654
Administrative	367,239	518,274	683,679	651,714
Equipment operations	3,596,408	3,483,033	3,608,241	3,412,550
Less equipment rental				
charged to other activities	(3,404,924)	(2,791,820)	(3,005,138)	(2,811,832)
Other	1,013,986	1,588,312	865,225	1,054,195
Capital outlay	655,643	368,935	851,242	1,054,188
Less: depreciation credit				
and retirements	(908,036)	(998,415)	(1,056,190)	(1,152,276)
Debt service -				
Principal	640,000	625,000	605,000	590,000
Interest	225,720	250,876	274,908	300,033
Total expenditures	<u>25,682,647</u>	<u>25,565,812</u>	<u>32,796,580</u>	<u>28,193,229</u>
Net change in Fund Balance	<u>\$ 430,392</u>	<u>\$ 29,288</u>	<u>\$ (519,752)</u>	<u>\$ (22,019)</u>
Debt service as a percentage of non capital expenditures	<u>3.37%</u>	<u>3.41%</u>	<u>2.67%</u>	<u>3.13%</u>

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
157,974	173,556	152,685	137,321	125,704	160,994
1,459,093	1,072,789	1,271,621	2,238,330	1,044,872	266,814
11,031,273	12,361,297	9,943,146	10,115,869	10,685,333	10,318,806
5,573,922	5,983,849	4,073,841	3,968,027	2,446,698	2,910,446
3,182,188	3,116,598	2,810,944	3,444,000	3,790,996	3,276,519
58,212	116,747	334,704	494,515	402,128	251,999
99,518	206,324	209,423	155,931	220,806	94,131
<u>21,562,180</u>	<u>23,031,160</u>	<u>18,796,364</u>	<u>20,553,993</u>	<u>18,716,537</u>	<u>17,279,709</u>
-	-	2,505,910	-	5,940,000	-
<u>21,562,180</u>	<u>23,031,160</u>	<u>21,302,274</u>	<u>20,553,993</u>	<u>24,656,537</u>	<u>17,279,709</u>
-	-	-	-	-	-
1,170,457	-	190,769	-	52,181	226,462
4,528,939	6,310,936	6,722,286	4,384,897	8,254,257	2,629,303
2,296,246	3,078,561	1,634,157	2,072,140	1,786,287	692,628
3,981,588	3,897,332	2,832,027	4,062,932	3,771,504	3,179,996
5,082,749	5,176,623	4,382,118	4,498,935	4,132,392	4,000,925
3,148,252	3,259,514	2,915,349	3,408,791	2,914,593	2,410,102
1,014,905	982,218	1,160,256	873,524	990,004	921,352
2,834,445	2,716,264	2,490,531	2,533,784	2,257,557	2,009,689
(3,034,112)	(2,917,171)	(2,590,343)	(2,830,805)	(2,526,624)	(2,229,311)
1,227,252	1,941,790	719,505	741,771	615,441	680,592
972,152	1,343,162	1,128,515	876,978	1,216,645	708,344
(1,073,955)	(1,063,393)	(941,979)	(913,627)	(853,894)	(757,369)
570,000	555,000	290,000	280,000	347,242	315,611
329,033	357,376	263,414	275,664	50,919	54,165
<u>23,047,951</u>	<u>25,638,212</u>	<u>21,196,605</u>	<u>20,264,984</u>	<u>23,008,504</u>	<u>14,842,489</u>
<u>\$ (1,485,771)</u>	<u>\$ (2,607,052)</u>	<u>\$ 105,669</u>	<u>\$ 289,009</u>	<u>\$ 1,648,033</u>	<u>\$ 2,437,220</u>
<u>3.87%</u>	<u>3.54%</u>	<u>2.56%</u>	<u>2.70%</u>	<u>1.70%</u>	<u>2.43%</u>

Table 4

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

MICHIGAN TRANSPORTATION FUNDS
YEARS ENDED 1998 THROUGH 2007
(UNAUDITED)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Total MTF					
Engineering	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Urban Road	918,433	915,287	917,698	1,060,730	1,080,307
Allocation	<u>9,898,354</u>	<u>9,981,867</u>	<u>10,041,792</u>	<u>10,245,015</u>	<u>9,490,709</u>
Total	<u>\$ 10,826,787</u>	<u>\$ 10,907,154</u>	<u>\$ 10,969,490</u>	<u>\$ 11,315,745</u>	<u>\$ 10,581,016</u>
Primary Road					
Engineering	\$ 7,019	\$ 7,033	\$ 7,039	\$ 6,968	\$ 6,872
Urban Road	618,768	614,963	615,238	722,041	745,610
Allocation	<u>6,947,637</u>	<u>7,019,995</u>	<u>7,068,886</u>	<u>7,138,672</u>	<u>6,518,514</u>
Total	<u>\$ 7,573,424</u>	<u>\$ 7,641,991</u>	<u>\$ 7,691,163</u>	<u>\$ 7,867,681</u>	<u>\$ 7,270,996</u>
Local Road					
Engineering	\$ 2,981	\$ 2,967	\$ 2,961	\$ 3,032	\$ 3,128
Urban Road	299,665	300,324	302,460	338,689	334,697
Allocation	<u>2,950,717</u>	<u>2,961,872</u>	<u>2,972,906</u>	<u>3,106,343</u>	<u>2,972,195</u>
Total	<u>\$ 3,253,363</u>	<u>\$ 3,265,163</u>	<u>\$ 3,278,327</u>	<u>\$ 3,448,064</u>	<u>\$ 3,310,020</u>

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
1,030,950	1,007,584	995,758	949,424	946,814
<u>8,982,982</u>	<u>8,957,287</u>	<u>8,955,164</u>	<u>8,506,423</u>	<u>8,487,477</u>
<u>\$ 10,023,932</u>	<u>\$ 9,974,871</u>	<u>\$ 9,960,922</u>	<u>\$ 9,465,847</u>	<u>\$ 9,444,291</u>
\$ 6,850	\$ 6,836	\$ 6,825	\$ 6,823	\$ 6,823
714,600	686,955	672,664	643,901	643,868
<u>6,145,234</u>	<u>6,125,406</u>	<u>6,118,589</u>	<u>5,807,370</u>	<u>5,792,948</u>
<u>\$ 6,866,684</u>	<u>\$ 6,819,197</u>	<u>\$ 6,798,078</u>	<u>\$ 6,458,094</u>	<u>\$ 6,443,639</u>
\$ 3,150	\$ 3,164	\$ 3,175	\$ 3,177	\$ 3,177
316,350	320,629	323,094	305,523	302,946
<u>2,837,748</u>	<u>2,831,881</u>	<u>2,836,575</u>	<u>2,699,053</u>	<u>2,694,529</u>
<u>\$ 3,157,248</u>	<u>\$ 3,155,674</u>	<u>\$ 3,162,844</u>	<u>\$ 3,007,753</u>	<u>\$ 3,000,652</u>

Table 5

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

LONG-TERM LIABILITIES

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
LONG-TERM LIABILITIES TO MOTOR VEHICLE HIGHWAY FUNDS - ACT 51**

**YEARS ENDED 1998 THROUGH 2007
(UNAUDITED)**

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Motor Vehicle Highway Funds Act 51</u>	<u>Ratio of Debt Service to MVHF - Act 51</u>
1998	\$ 315,611	\$ 54,165	\$ 369,776	\$ 9,434,291	3.92%
1999	347,242	50,919	398,161	9,473,656	4.20%
2000	280,000	275,664	555,664	9,950,922	5.58%
2001	290,000	263,414	553,414	9,964,871	5.55%
2002	555,000	357,376	912,376	10,013,932	9.11%
2003	570,000	329,033	899,033	10,571,016	8.50%
2004	590,000	300,033	890,033	11,305,745	7.87%
2005	605,000	274,908	879,908	10,959,490	8.03%
2006	625,000	250,876	875,876	10,897,154	8.04%
2007	<u>640,000</u>	<u>225,720</u>	<u>865,720</u>	<u>10,816,787</u>	8.00%
Total	<u>\$ 4,817,853</u>	<u>\$ 2,382,108</u>	<u>\$ 7,199,961</u>	<u>\$ 103,387,864</u>	<u>6.96%</u>

Note:

(1) Motor Vehicle Highway Funds - Act 51, represent the amount received from the State of Michigan as the distribution of gas and weight taxes that have been designated for Primary and Local Road expenditures. The amount, however, does not include an amount of \$10,000 per year in Motor Vehicle Highway Fund - Act 51 which has been designated for engineering expenditures.

Table 6

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

LONG-TERM LIABILITIES

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
LONG-TERM LIABILITIES TO TOTAL OPERATING EXPENDITURES**

**YEARS ENDED 1998 THROUGH 2007
(UNAUDITED)**

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Operating Expenditures</u>	<u>Ratio of Debt Service to Total Operating Expenditures</u>
1998	\$ 315,611	\$ 54,165	\$ 369,776	\$ 14,521,738	2.55%
1999	347,242	50,919	398,161	22,257,592	1.79%
2000	280,000	275,664	555,664	19,745,970	2.81%
2001	290,000	263,414	553,414	20,456,655	2.71%
2002	555,000	357,376	912,376	24,446,067	3.73%
2003	570,000	329,033	899,033	22,250,721	4.04%
2004	590,000	300,033	890,033	27,401,284	3.25%
2005	605,000	274,908	879,908	32,121,620	2.74%
2006	625,000	250,876	875,876	25,319,416	3.46%
2007	<u>640,000</u>	<u>225,720</u>	<u>865,720</u>	<u>25,069,320</u>	3.45%
Total	<u>\$ 4,817,853</u>	<u>\$ 2,382,108</u>	<u>\$ 7,199,961</u>	<u>\$ 233,590,383</u>	<u>3.08%</u>

Notes:

(1) Operating Expenditures do not include expenditures for Capital Outlay as well as Debt Service.

(2) In 1999 the Road Commission (County of St. Clair) issued \$6,000,000 in Michigan Transportation Fund Bonds dated June 1, 1999. Principal and interest payments are due through August 1, 2014.

(3) In 2001 the Road Commission (County of St. Clair) issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001. Principal and interest payments are due through August 1, 2011.

Table 7

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**PRESERVATION-STRUCTURAL IMPROVEMENTS EXPENDITURES BY
COUNTY ROAD PERSONNEL AND CONTRACTORS**

**YEARS ENDED 1998 THROUGH 2007
(UNAUDITED)**

	Performed by County Road		Performed by Contractors		Total	
	Primary	Local	Primary	Local	Primary	Local
1998	\$ 586,552	\$ 328,263	\$ 2,042,751	\$ 364,365	\$ 2,629,303	\$ 692,628
1999	823,124	923,508	7,431,133	862,779	8,254,257	1,786,287
2000	640,098	658,551	3,744,799	1,413,589	4,384,897	2,072,140
2001	904,021	633,609	5,818,265	1,000,548	6,722,286	1,634,157
2002	873,396	740,466	5,437,540	2,338,095	6,310,936	3,078,561
2003	641,268	537,208	3,887,671	1,759,038	4,528,939	2,296,246
2004	528,669	575,332	3,109,314	1,027,041	3,637,983	1,602,373
2005	474,990	790,850	3,104,000	2,232,327	3,578,990	3,023,177
2006	402,594	407,158	6,470,047	2,158,744	6,872,641	2,565,902
2007	505,367	310,593	6,955,089	2,810,863	7,460,456	3,121,456

Note: In 2005, terminology was changed from Heavy Maintenance to Preservation- Structural Improvements

Table 8

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**MAINTENANCE EXPENDITURES BY
COUNTY ROAD PERSONNEL AND CONTRACTORS**

**YEARS ENDED 1998 THROUGH 2007
(UNAUDITED)**

	Performed by County Road		Performed by Contractors		Total	
	Primary	Local	Primary	Local	Primary	Local
1998	\$ 2,674,544	\$ 3,025,712	\$ 505,452	\$ 975,213	\$ 3,179,996	\$ 4,000,925
1999	3,117,305	3,084,009	654,199	1,048,383	3,771,504	4,132,392
2000	3,243,165	3,295,665	819,767	1,203,330	4,062,932	4,498,995
2001	2,290,367	3,237,059	541,660	1,145,059	2,832,027	4,382,118
2002	3,046,348	1,742,865	850,984	3,433,758	3,897,332	5,176,623
2003	3,174,568	3,808,430	807,020	1,274,319	3,981,588	5,082,749
2004	2,852,464	3,716,508	686,443	1,219,672	3,538,907	4,936,180
2005	3,293,505	2,284,168	851,265	2,442,692	4,144,770	4,726,860
2006	2,496,944	3,892,592	810,265	1,605,453	3,307,209	5,498,045
2007	3,000,826	3,650,671	928,941	1,371,956	3,929,767	5,022,627

Table 9

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**2007 CONSTRUCTION/CAPACITY AND PRESERVATION/STRUCTURAL
IMPROVEMENTS
EXPENDITURES BY TOWNSHIP
(UNAUDITED)**

<u>Township</u>	<u>Construction/ Capacity Improvement</u>	<u>Preservation/ Structural Improvement</u>	<u>Total</u>
Berlin	\$ -	\$ -	\$ -
Brockway	-	-	-
Burtchville	71,727	-	71,727
Casco	-	2762	2,762
China	-	18,569	18,569
Clay	-	-	-
Clyde	-	-	-
Columbus	-	44,412	44,412
Cottrellville	-	13,400	13,400
East China	-	174,319	174,319
Emmett	-	-	-
Fort Gratiot	259,588	617,044	876,632
Grant	-	113,662	113,662
Greenwood	-	46,196	46,196
Ira	-	-	-
Kenockee	-	17,742	17,742
Kimball	298,227	22,606	320,833
Lynn	-	14,930	14,930
Mussey	-	812,608	812,608
Port Huron	-	13,771	13,771
Riley	230,000	-	230,000
St. Clair	340,700	9,193	349,893
Wales	-	-	-
Totals	<u>\$ 1,200,242</u>	<u>\$ 1,921,214</u>	<u>\$ 3,121,456</u>

Table 10

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

EQUIPMENT OPERATION
YEARS ENDED 1998 THROUGH 2007
(UNAUDITED)

	Direct Costs				Indirect Costs	Operating Costs	Total Cost	Rentals	(Gain)/Loss
	Labor	Depreciation	Other	Total					
1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	471,220	715,503	265,317	1,452,040	657,955	147,563	2,257,558	(2,526,624)	(269,066)
2000	501,421	765,018	302,224	1,568,663	704,091	261,030	2,533,784	(2,830,805)	(297,021)
2001	314,252	754,819	506,699	1,575,770	674,519	240,242	2,490,531	(2,590,343)	(99,812)
2002	537,348	908,734	317,573	1,763,655	736,802	215,807	2,716,264	(2,917,171)	(200,907)
2003	563,293	917,550	312,398	1,793,241	772,760	268,444	2,834,445	(3,034,112)	(199,667)
2004	641,499	950,147	380,261	1,971,907	1,117,381	323,262	3,412,550	(2,811,832)	600,718
2005	679,411	894,354	416,953	1,990,718	1,150,483	467,040	3,608,241	(3,005,138)	603,103
2006	650,148	849,506	383,551	1,883,205	1,080,904	518,924	3,483,033	(2,791,820)	691,213
2007	714,014	758,887	418,152	1,891,053	1,143,192	562,163	3,596,408	(3,404,924)	191,484

Note: The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities of the Road Commission. This allocation is accomplished by the charging of rental on equipment used. The effect of the allocation (rental credit) is offset against equipment expenditures/expenses resulting in an internal gain or loss on the usage of equipment.

Table 11

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

2007 MATCH MONEY EXPENDITURES
(UNAUDITED)

Township	Unpaid Balance 12/31/06	2007 Expenditures	County Share	Township Share	Township Payments	Unpaid Balance 12/31/07	2007 Unused County Share
Berlin	\$ -	\$ 67,796	\$ 30,737	\$ 37,059	\$ 37,059	\$ -	\$ -
Brockway	15,153	128,028	24,590	103,438	38,805	79,786	-
Burtchville	-	79,689	21,985	57,704	47,677	10,027	-
Casco	-	128,304	30,887	97,417	87,439	9,978	-
China	751	170,274	31,202	139,072	89,445	50,378	-
Clay	177,975	110,174	39,554	70,620	211,886	36,709	-
Clyde	101,882	121,605	30,644	90,961	184,329	8,514	-
Columbus	6,421	182,459	37,745	144,714	132,824	18,311	-
Cottrellville	10,179	58,924	29,462	29,462	33,435	6,206	44,476
East China	4,574	29,522	14,761	14,761	14,910	4,425	4,597
Emmett	-	50,590	25,295	25,295	25,295	-	5,542
Fort Gratiot	17,893	138,972	42,021	96,951	53,939	60,905	-
Grant	14,412	85,998	22,982	63,016	34,285	43,143	-
Greenwood	77,991	148,960	24,005	124,955	113,667	89,279	-
Ira	2,791	46,814	23,407	23,407	9,722	16,476	23,071
Kenockee	14,614	116,779	27,244	89,535	103,320	829	-
Kimball	50,016	244,697	49,426	195,271	228,448	16,839	-
Lynn	2,900	50,314	25,157	25,157	28,057	-	20,981
Mussey	20	63,652	31,826	31,826	31,846	-	6,991
Port Huron	61,459	329,412	45,559	283,853	73,774	271,538	-
Riley	12,190	67,411	32,098	35,313	44,860	2,643	-
St. Clair	33,230	142,229	63,555	78,674	96,976	14,928	-
Wales	-	105,412	32,163	73,249	70,258	2,991	-
Totals	<u>\$ 604,451</u>	<u>\$ 2,668,015</u>	<u>\$ 736,305</u>	<u>\$ 1,931,710</u>	<u>\$ 1,792,256</u>	<u>\$ 743,905</u>	<u>\$ 105,658</u>

Table 12

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

2007 LOCAL ROAD IMPROVEMENT PROGRAM
MATCH MONEY QUANTITIES
(UNAUDITED)

Township	Aggregate Surfacing & Patching (Tons)	Roadside Ditching (Miles)	Dust Layers (Gallons)	Sealcoat & Slurry Seal (Sq. Yd.)	Culvert Projects (Number)	Total Expenditures
Berlin	1,979	-	184,000	-	1	\$ 67,796
Brockway	4,491	1.22	287,000	-	-	128,028
Burtchville	4,757	0.18	55,000	-	-	79,689
Casco	7,606	-	133,196	-	3	128,304
China	-	1.53	148,697	-	2	170,274
Clay	1,723	0.25	19,900	-	2	110,174
Clyde	6,520	-	143,540	-	5	121,605
Columbus	9,623	0.09	136,000	-	4	182,459
Cottrellville	2,049	0.14	48,656	-	2	58,924
East China	-	0.76	9,475	-	-	29,522
Emmett	2,525	-	73,100	-	1	50,590
Fort Gratiot	4,058	0.23	37,700	9,014	1	138,972
Grant	4,675	0.69	163,000	-	-	85,998
Greenwood	5,694	0.99	268,000	-	1	148,960
Ira	70	-	75,001	-	2	46,814
Kenockee	5,411	0.38	198,800	-	1	116,779
Kimball	8,573	1.06	146,600	-	1	244,697
Lynn	3,043	-	85,600	-	3	50,314
Mussey	2,985	0.13	80,400	-	1	63,652
Port Huron	-	0.23	12,600	-	2	329,412
Riley	1,634	0.61	97,750	-	4	67,411
St. Clair	7,528	0.44	165,000	-	-	142,229
Wales	4,429	1.13	54,850	-	-	105,412
Totals	89,373	10.06	2,623,865	9,014	36	\$ 2,668,015

Note: Total Expenditures includes miscellaneous work such as construction, guardrail, mowing, bump burning, street signs, seal patching, etc.

Table 13

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

SCHEDULE OF TOWNSHIP MILEAGE AND POPULATION
DECEMBER 31, 2007
(UNAUDITED)

	Local Roads			Primary Roads			Population	
	Miles Outside		Funds Received	Miles Outside		Funds Received	Population Outside Municipalities	Funds Received
	Municipalities			Municipalities				
	Local	Urban		Local	Urban			
Berlin	54.00	-	\$ 86,987	22.00	-	\$ 32,442	3,399	\$ 41,400
Brockway	46.00	-	74,436	17.00	-	25,550	2,150	26,187
Burtchville	30.00	12.00	67,608	10.00	2.00	30,164	4,046	49,280
Casco	47.00	-	76,484	30.00	4.00	88,640	4,790	58,343
China	53.00	-	86,167	22.00	1.00	37,939	3,699	45,054
Clay	41.00	25.00	106,938	22.00	4.00	70,254	9,912	120,728
Clyde	43.00	10.00	83,346	28.00	4.00	79,853	5,597	68,171
Columbus	52.00	-	83,002	29.00	1.00	48,227	4,944	60,218
Cottrellville	34.00	2.00	56,524	18.00	2.00	50,519	4,017	48,927
East China	17.00	12.00	45,008	4.00	1.00	23,532	4,098	49,914
Emmett	44.00	-	71,463	25.00	-	37,564	2,578	31,400
Fort Gratiot	40.00	37.00	123,087	11.00	11.00	116,149	11,502	140,094
Grant	44.00	-	70,097	19.00	-	28,251	1,927	23,471
Greenwood	47.00	-	76,043	25.00	-	37,180	1,703	20,743
Ira	28.00	12.00	64,042	7.00	1.00	20,645	7,399	90,120
Kenockee	50.00	-	79,964	20.00	-	30,169	2,650	32,277
Kimball	67.00	22.00	141,726	31.00	11.00	146,174	9,575	116,623
Lynn	47.00	-	75,642	26.00	-	38,583	1,426	17,369
Mussey	48.00	-	77,233	25.00	-	36,177	2,377	28,952
Port Huron	50.00	50.00	159,077	18.00	18.00	193,472	11,045	134,528
Riley	58.00	-	92,612	21.00	-	30,922	3,399	41,400
St. Clair	59.00	9.00	108,183	35.00	5.00	100,385	7,086	86,307
Wales	58.00	-	92,627	30.00	-	44,177	3,365	40,985
Total	1,057.00	191.00	\$ 1,998,296	495.00	65.00	\$ 1,346,968	112,684	\$ 1,372,491

Note: The miles and population per township represent the miles and population that is outside the cities and villages that are located in the respective townships.

Table 14

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

SCHEDULE OF EMPLOYEES BY FUNCTION
YEARS 2002 THROUGH 2007
(UNAUDITED)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Full-Time Employees						
Administrative Office						
Administration	6	7	7	7	7	7
Engineers/Inspectors	11	12	14	13	13	13
Clerical	7	8	10	11	10	10
	<u>24</u>	<u>27</u>	<u>31</u>	<u>31</u>	<u>30</u>	<u>30</u>
Construction/Maintenance						
Avoca Warehouse	13	13	14	14	14	15
Capac Warehouse	13	13	14	14	14	14
Marine City Warehouse	13	13	15	15	15	15
St. Clair Warehouse	39	40	41	40	39	42
	<u>78</u>	<u>79</u>	<u>84</u>	<u>83</u>	<u>82</u>	<u>86</u>
Total Employees	<u>102</u>	<u>106</u>	<u>115</u>	<u>114</u>	<u>112</u>	<u>116</u>

Note: Data was only available back to 2002

Table 15

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NET CAPITAL OUTLAY
YEARS ENDED 1998 THROUGH 2007
(UNAUDITED)

	Land Improvements Building and Equipment	Less Depreciation	Less Retirements	Net Capital Outlay
1998	\$ 708,344	\$(755,636)	\$(1,733)	\$(49,025)
1999	1,216,645	(853,894)	-	362,751
2000	876,978	(910,814)	(2,813)	(36,649)
2001	1,128,515	(901,729)	(40,250)	186,536
2002	1,343,162	(1,062,708)	(685)	279,769
2003	972,152	(1,072,560)	(1,395)	(101,803)
2004	1,054,188	(1,152,095)	(181)	(98,088)
2005	851,242	(1,054,339)	(1,851)	(204,948)
2006	368,935	(998,159)	(256)	(629,480)
2007	655,643	(908,036)	-	(252,393)

Note: The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for depreciation and depletion in the governmental fund statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account. This credit is to be reported as an offset to capital outlay along with equipment retirements.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

CAPITAL OUTLAY
2007 EQUIPMENT PURCHASES

The St. Clair County Road Commission has 931 pieces of maintenance, construction and radio equipment at a total value of \$11,337,344. There are 263 pieces of shop, engineering, and office equipment with a value of \$1,233,571. A Shop Foreman is responsible for specifications, purchasing, maintenance and disposal of all shop equipment.

Mechanics are assigned to all districts. The Avoca, Capac and Marine City districts have one mechanic each; the St. Clair district, where all major repairs are made, has three mechanics, one welder, one tireman, and two plant maintenance men.

The method used to determine equipment replacement is based on a rating system with credits given to the percent of direct repair cost to purchase price, age, and condition.

The following new road equipment was purchased during 2007 at a cost of \$546,492

<u>Equipment Description</u>	<u>Quantity</u>	<u>Purchase Price</u>
Tandem Axle Dump Truck	2	272,308
Excavator	1	135,400
Sign Truck	1	118,802
Hot Patcher	1	12,360
Miscellaneous	1	7,622
Total		<u>\$ 546,492</u>

Table 17

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of County Road Commissioners
of St. Clair County
St. Clair, Michigan

We have audited the financial statements of St. Clair County Road Commission as of and for the year ended December 31, 2007, and have issued our report thereon, dated April 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of St. Clair County Road Commission as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Road Commission's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Clair County Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Clair County Road Commission's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects St. Clair County Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the St. Clair County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the St. Clair County Road Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the St. Clair County Road Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Clair County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

We noted certain matters that we reported to management of the St. Clair County Road Commission in a separate letter dated April 9, 2008.

This report is intended for the information and use of the management and Board of County Road Commissioners of St. Clair County, Michigan and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Stewart, Beauvoir Whipple".

Certified Public Accountants

April 9, 2008

MANAGEMENT LETTER

To the Board of County Road Commissioners
of St. Clair County
St. Clair, Michigan

We have recently completed our audit of the basic financial statements of the St. Clair County Road Commission as of and for the year ended December 31, 2007. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the Road Commission's recordkeeping system or compliance with laws and regulations. These observations are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in the ***Report on Internal Accounting Controls*** these observations were not considered significant deficiencies in relation to the basic financial statements of the Road Commission.

Controls over Transfer Vouchers

At the present time, transfer vouchers (journal entries) include a description for the entry and are numbered and maintained in a binder for control purposes. However, not all transfer vouchers are required to be formally approved by a second individual.

Not having a procedure requiring that transfer vouchers be formally approved allows for the possibility of inaccurate financial reporting.

We recommend that the transfer vouchers be approved by an individual that is able to analyze the accompanying information supporting the entry. This may be accomplished by having different individuals reviewing transfer vouchers, or at a minimum, any transfers that are not standard entries.

Controls over Receipting Process

As noted during the audit, checks are not restrictively endorsed immediately upon receiving. All checks received by the Road Commission receptionist should be restrictively endorsed immediately. This provides protection should a check be lost or stolen during the process of preparing for deposit.

As noted during the audit, the mail listing prepared by the receptionist is not compared to the bank deposits. This process should be preformed by someone other than the person preparing the bank deposit to provide additional internal control over receipting.

These observations were considered in determining the nature, timing and extent of the audit tests applied in our audit of the December 31, 2007, financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information and use of management, the Road Commission Board, others with the Road Commission of Michigan, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart Beavain Whipple". The signature is written in dark ink and is positioned below the word "Sincerely,".

April 9, 2008